

## **FARMERS TELEPHONE COOPERATIVE REQUESTS APPROVAL OF NEW DEPRECIATION RATES FOR CERTAIN CENTRAL OFFICE EQUIPMENT**

Farmers Telephone Cooperative, Inc. (Cooperative or Applicant) filed an Application with the Public Service Commission of South Carolina for approval of accelerated depreciation rates for a portion of its EWSD Central Office Switches. The Cooperative requests a depreciation rate of 25% for its net plant investment. The Cooperative also requested that the proposed depreciation rate become effective July 1, 2004. As part of its Application, Farmers Telephone Cooperative states that the approval of the proposed depreciation rate will not cause an increase in subscriber rates now or in the future.

A copy of the Application is on file in the offices of the Public Service Commission of South Carolina, Synergy Business Park, Saluda Building, 101 Executive Center Drive, Columbia, South Carolina and is available through Mr. J. L. McDaniel, Chief Executive Officer, Farmers Telephone Cooperative, Inc., 1101 E. Main Street, PO Box 588, Kingstree, SC 29556.

Any person who wishes to testify and present evidence at a hearing, if scheduled, should notify Bruce F. Duke, Executive Director, at the address below, and Mr. J. L. McDaniel, at the previously stated address, in writing, on or before **May 25, 2004**, and indicate the amount of time required for his presentation. Please refer to **Docket No. 2004-110-C**.

Any person who wishes to present his views to the Public Service Commission may do so in writing, on or before **May 25, 2004**. Please refer to **Docket No. 2004-110-C**.

Any person who wishes to participate in this matter, as a party of record should file a Petition to Intervene in accordance with the Commission's Procedures, on or before **May 25, 2004**. Please refer to **Docket No. 2004-110-C**.

Persons seeking information about the Commission's Procedures should contact the Commission by dialing (803) 896-5105.

**BRUCE F. DUKE**  
Executive Director  
Public Service Commission of South Carolina  
P.O. Drawer 11649  
Columbia South Carolina 29211



April 14, 2004

J.L. McDaniel, CEO  
Farmers Telephone Cooperative, Inc.  
Post Office Box 588  
Kingstree, SC 29556

**IN RE: Docket No. 2004-110-C Application of FTC, Inc. for an Approval to  
Increase Depreciation of a portion of its EWSD Central Office  
Switches**

Dear Mr. McDaniel:

This office has received your application, which has been assigned the above referenced docket number. This docket will be processed as soon as possible.

***PLEASE BE ADVISED THAT THE COMMISSION'S RULES AND REGULATIONS AND EXISTING SOUTH CAROLINA LAW REQUIRE PARTICIPATION BY AN ATTORNEY ADMITTED TO PRACTICE IN SOUTH CAROLINA FOR THE REPRESENTATION OF THE INTERESTS OF ANY PERSON OR GROUP OF PERSONS OTHER THAN AN INDIVIDUAL'S INTEREST.*** If an attorney from outside South Carolina wishes to represent a party before the Commission, then he or she must be accompanied by an attorney admitted to practice in South Carolina. Your attention is directed to R. 103-804 (s) of the Rules of Practice and Procedure of the Commission regarding representation.

If you have any questions relative to this docket, please call the Commission at (803) 896-5125.

Very truly yours,

Bruce F. Duke  
Executive Director

BFD/rng





Johnny L. McDaniel  
Chief Executive Officer

April 6, 2004

Docket No. 2004. 110. C

Mr. Bruce Duke  
Executive Director  
The S. C. Public Service Commission  
P. O. Drawer 11649  
Columbia, South Carolina 29210

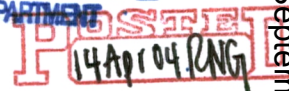
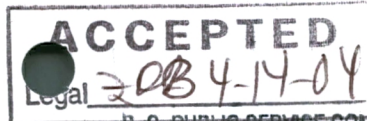
Dear Mr. Duke:

Farmers Telephone Cooperative, Inc., respectfully requests the Commission's approval to increase depreciation of a portion of its EWSD Central Office Switches.

The purpose of requesting approval of increased depreciation of a portion of our central office switches is to facilitate the installation and implementation of "soft switch" technology for voice and data related services. Farmers foresees that in the very near future soft switches will become the dominant switch technology and render the current switching platform obsolete. It is incumbent upon the company to accelerate depreciation of those portions of the switching platform whose value will be diminished to future subscribers.

Currently, Farmers has 25 locations where these components are located. Upon approval of increased depreciation rates, Farmers will execute its plan to add this new soft switch technology.

Farmers is requesting an increased rate of 25% on a net plant investment of \$8,057,285. If approved by the Commission, the increased depreciation rate will not cause an increase in subscriber rates now or in the future.



ACCEPTED FOR PROCESSING - 2019 September 30 9:09 AM - SCPSC - 2004-110-C - Page 3 of 7

Farmers Telephone Cooperative, Inc.

1101 E. Main Street PO Box 588 Kingstree, SC 29556 843-382-1216 Fax 843-382-3200

Mr. Bruce Duke  
Page 2  
April 7, 2004

We trust that the Commission will approve our request for increase depreciation rates to take effect July 1, 2004. Attached to this letter are detailed schedules that support our request.

If additional information is needed, please call.

Sincerely yours,

  
J. L. McDaniel  
Chief Executive Officer

wcs

Attachment

## Summary

### Purpose of Request

Farmers Telephone Cooperative, Inc. desires to add approximately several million in soft switch technology to its network. This soft switch technology will eventually supplant the current digital switching network Farmers uses today. This new technology will ensure that subscribers will continue to have the latest and most advanced communications network and that the company will be competitive in the changing environment.

Today our local switching is provided by Siemens EWSD switches. As the new technology becomes more common place in the network and the industry these EWSD switches will be phased out of service. To the extent that Farmers has undepreciated investment in these switches the company desires to accelerate the depreciation of that investment. The current approved depreciation rate would allow for full depreciation in 13 years. The company believes the current switching platform will be out of service well before that time period.

### Determination of Investment

The Corporate Engineering Department of Farmers Telephone Cooperative, using the company's plant records analyzed and extracted the central office switching equipment installed in the years 1996 through 2003. A schedule is attached depicting the cost, annual depreciation and reserves. The engineering department identified assets totaling \$13,127,604 that the company believes will be phased out in the transition to the new switching platform. After deducting the applicable reserves for depreciation the net book value is \$8,057,285. Farmers is requesting the \$8,057,285 be depreciated over a period of 4 years.

### Annual cost and rate impact

The annual increase in depreciation expense will be \$990,368 during the 4 year period. As stated in the cover letter Farmers Telephone Cooperative will not request a change in customer rates due to approval of this accelerated depreciation.

**FTC**  
**Analysis of Digital COE Depreciation**

	<b>FTC GL Acct #</b>	<b>AS IS</b>	<b>Identified Assets</b>	<b>After Reclassification</b>
Digital COE Plant	210900	\$ 30,534,400	\$ 13,127,604	\$ 17,406,796
Digital COE Reserve	250900	<u>(16,063,934)</u>	<u>(5,070,319)</u>	<u>(10,993,615)</u>
Net Book		<u>\$ 14,470,466</u>	<u>\$ 8,057,285</u>	<u>\$ 6,413,181</u>
- Annual Depreciation		\$ 2,381,683	\$ 2,014,321	\$ 1,357,730
Remaining Life		6.1	4.0	4.7
<b>Annual Increase in Depreciation Expense</b>				<b>\$ 990,368</b>

		1996	1997	1998	1999	2000	2001	2002	2003	TOTALS
BAYSPRINGS			\$241.00	\$1,217.00						
BSVL			\$6,510.00	\$53,577.00	\$3,851.00		\$14,766.00	\$296,513.00		
BOB COOPER								\$11,689.00		
COVENANT PLACE		\$105,494.00	\$2,252.00	\$1,854.00	\$5,690.00	\$25,157.00	\$1,361.00	\$101,759.00		
ESMT				\$203,201.00	\$20,058.00		\$21,682.00			
GRVL				\$141,805.00	\$10,942.00			\$14,168.00		
HAVENWOOD					\$72,935.00					
LANE				\$214,631.00	\$16,141.00	\$26,734.00				
MYVL								\$28,916.00		
NESMITH							\$9,841.00			
NORTH DAM								\$11,820.00		
NKGS		\$18,054.00	\$1,282,982.00	\$191,600.00	\$83,766.00	\$580,556.00	\$1,202,442.00	\$273,434.00	\$228.00	
NMNG			\$588.00	\$614,489.00	\$52,702.00	\$39,571.00	\$5,994.00		\$34,412.00	
NSTN					\$185,509.00		\$33,218.00			
NSMT		\$1,641,239.00	\$332,928.00	\$216,429.00	\$129,351.00	\$663,924.00	\$1,503,671.00	\$284,886.00	\$14,740.00	
OKLD			\$61,141.00		\$9,008.00	\$26,734.00	\$15,872.00	\$148,106.00		
OPERATIONS BLDG			\$2,084.00	\$22,801.00						
PNWD					\$112,839.00		\$22,270.00			
POCL			\$10,534.00		\$8,219.00	\$6,098.00	\$15,780.00	\$7,718.00		
PRINCE								\$11,598.00		
PRISON ROAD								\$310,817.00		
SCTN		\$2,574.00	\$348,707.00		\$27,811.00		\$56,750.00	\$2,881.00		
STBG					\$514,704.00	\$10,555.00	\$38,456.00	\$7,194.00	\$6,198.00	
TBVL		\$774.00	\$113,337.00		\$7,825.00		\$55,965.00		\$1,329.00	
WAND				\$270,793.00	\$17,369.00	\$26,735.00	\$14,510.00			
TOTALS		\$1,768,135.00	\$2,161,304.00	\$1,932,397.00	\$1,278,720.00	\$1,406,064.00	\$3,012,578.00	\$1,511,499.00	\$56,907.00	\$13,127,604.00
YEARLY DEP	7.8%	\$137,914.53	\$168,581.71	\$150,726.97	\$99,740.16	\$109,672.99	\$234,981.08	\$117,896.92	\$4,438.75	
YEARS		8	7	6	5	4	3	2	1	
TOTAL DEP		\$1,103,316.24	\$1,180,071.98	\$904,361.80	\$498,700.80	\$438,691.97	\$704,943.25	\$235,793.84	\$4,438.75	\$5,070,318.63
BOOK VALUE		\$664,818.76	\$981,232.02	\$1,028,035.20	\$780,019.20	\$967,372.03	\$2,307,634.75	\$1,275,705.16	\$52,468.25	\$8,057,285.37